

# LEGISLATIVE AUDIT COMMISSION



Review of  
Franklin/Williamson Counties  
Regional Office of Education #21  
Year Ended June 30, 2006

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**REVIEW: 4268**  
**FRANKLIN/WILLIAMSON COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #21**  
**YEAR ENDED JUNE 30, 2006**

**FINDINGS/RECOMMENDATIONS - 9**

**ACCEPTED - 9**

**REPEATED RECOMMENDATIONS - 6**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 8**

This review summarizes the audit of the Franklin/Williamson Counties Regional Office of Education #21 for the year ended June 30, 2006, filed with the Legislative Audit Commission on June 5, 2007. The auditors performed a financial audit in accordance with Government Auditing Standards, including OMB Circular A-133, and State law. The auditors stated that the Regional Office of Education #21's financial statements as of June 30, 2006 are fairly stated. The auditors' report contains an emphasis of matter paragraph due to contingent liabilities created by possible violation of restrictive provisions of grants. No provision for any liability has been made in the basic financial statements for possible government claims for refunds of those State or Federal grant monies. In addition, the former Regional Superintendent and three other employees were indicted by a State of Illinois grand jury on August 19, 2004. The indictments include alleged theft, forgery, official misconduct, perjury and conspiracy.

The regional superintendent, who is elected from among the counties served by the Regional Office, serves as chief administrative officer of the ROE. The principal financial duty of the Superintendent is to receive and distribute monies due to school districts from general state aid, state categorical grants, and various other sources. In addition, the regional superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teacher institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in the region; examine school treasurer's books, accounts and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the regional superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The regional superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the region's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which

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comply with State law; to perform and report on annual building inspection; investigate bus drivers for valid driver permits; to maintain a list of unfilled teaching positions and carry out other related duties required or permitted by law.

The regional superintendent is responsible for inspection and approval or rejection of school treasurer's bonds and to show that treasurers of school districts under his or her control are properly bonded. The regional superintendent is responsible for apportionment and payment of funds received from the State for the districts in the region. The regional superintendent is required to provide opinions and advice related to controversies under school law. Currently, the Regional Office employs 70 people.

The Regional Superintendent for Region #21 during the audit period was the Honorable Ronda Baker. She was appointed effective June 1, 2006 upon the resignation of the former superintendent, Barry Kohl, on May 31, 2006. Dr. Baker did not seek election as Regional Superintendent. Mr. Matt Donkin, Assistant Principal at West Frankfort High School, won the election and will begin serving as Regional Superintendent effective July 1, 2007.

### Revenues and Expenditures

Revenues to Regional Office #21 are as follows:

|                       | <b>FY 2006</b> | <b>FY 2005</b> |
|-----------------------|----------------|----------------|
| <b>Total Revenues</b> | \$3,496,356    | \$3,744,499    |
| Local Sources         | \$423,374      | \$490,945      |
| % of Total Revenues   | 12.11%         | 13.11%         |
| State Sources         | \$1,813,291    | \$1,670,134    |
| % of Total Revenues   | 51.86%         | 44.60%         |
| Federal Sources       | \$1,259,691    | \$1,583,420    |
| % of Total Revenues   | 36.03%         | 42.29%         |

Expenditures by Regional Office #21 are as follows:

|                           | <b>FY 2006</b> | <b>FY 2005</b> |
|---------------------------|----------------|----------------|
| <b>Total Expenditures</b> | \$3,663,484    | \$4,042,644    |
| Salaries and Benefits     | \$2,091,953    | \$2,350,642    |
| % of Total Expenditures   | 57.10%         | 58.15%         |
| Purchased Services        | \$819,851      | \$653,004      |
| % of Total Expenditures   | 22.38%         | 16.15%         |
| All Other Expenditures    | \$751,680      | \$1,038,998    |
| % of Total Expenditures   | 20.52%         | 25.70%         |
| <b>Total Net Assets</b>   | \$713,458      | \$880,586      |

### **Accountants' Findings and Recommendations**

Condensed below are the nine findings and recommendations presented in the audit report. There were six repeated recommendations. The responses to the recommendations were provided by Dr. Ronda Baker, Regional Superintendent, in the original audit report.

#### **Accepted**

- 1. Maintain documentation for employees that establishes a pay rate commensurate with the responsibilities assigned. Pay rate authorization forms should be completed as required by ROE policy, and formal job evaluations should be performed and reviewed with employees and signed by the employees. (Repeated-2002)**

**Findings:** Lack of adequate documentation to support pay rate increases and formal employee evaluations.

The ROE made seven non-routine/bonus payments from July through December 2005 which totaled \$11,200. There were six \$1,000 payments made to the Program Director of several of the ROE grants. The other payment for \$5,200 was made to a faculty member for Project ECHO (Alternative School). While these payments were supported by a signed Payroll Authorization form, no explanation was provided for the employees' pay increases.

In addition, the former Regional Superintendent and former Assistant Regional Superintendent did not complete employee evaluations. Program directors completed self-evaluations; however, these were simply signed by the former Assistant Regional Superintendent and placed in the employees' personnel files. ROE personnel indicated that no evaluations were given to them, formally discussed with them, or signed by them.

**Response:** Accepted. We agree with the audit finding. Bonus payments are no longer made. All employees have a contract which specifies work assignment, compensation, and duration of assignment. A salary schedule has been implemented for all teaching faculty which covers faculty at ECHO, Detention Center, and Star Quest. Every job has been reviewed by the administration. New job descriptions have been completed on every position. Job descriptions have been signed by both the employee and administration. Salaries have been adjusted, up and down, in many cases to reflect appropriate compensation for respective job assignments. Appropriate documentation is now maintained in personnel records relative to job assignment and salary. Any work performed by employees which is above and beyond the basic contract is now specified in a supplemental contract which specifically outlines the additional duties and compensation.

Every employee has been formally evaluated by appropriate supervisory staff. These evaluations have been signed by the supervisor and employee and are on file with personnel records. New personnel policies have been adopted. Earned vacation and sick

**Accepted – continued**

leave days have been determined for every employee.

- 2. Establish and follow a policy that prohibits personal expenditures from being paid with ROE funds. Internal controls should be established to ensure that personal expenses are not paid by the Regional Office. The former Regional Superintendent should reimburse the ROE for all personal expenses paid by the Regional Office that have not been previously reimbursed. (Repeated-2002)**

**Findings:** ROE funds should not be used for personal expenditures unrelated to the operation of the ROE.

The former Regional Superintendent submitted travel vouchers for mileage and meal expenses for himself and other employees that were reimbursed by the ROE that have been alleged to be materially false in indictments released on August 19, 2004. The former Regional Superintendent and three ROE employees have been indicted for allegations ranging from theft and forgery to official misconduct, conspiracy, and/or perjury. One of the four cases has been settled. As of June 30, 2006, legal proceedings related to the remaining three indictments were still continuing.

The former Regional Superintendent did reimburse the ROE \$2,625.70 during fiscal year 2004 for some personal expenditures incurred, but it is unclear which specific charges were reimbursed or whether any of these reimbursements related to matters that were the subject of the indictments.

These issues noted in the prior audit remain in question as no trial or settlement has occurred as of our report date.

**Response:** Accepted. Personnel and financial policies have been revised to prevent future payment of personal expenditures. Internal controls have now been established which require appropriate documentation, supportive documents, and proper authorization forms before payment can be made. Requests for payment are now reviewed by the appropriate program director, bookkeeping, and the superintendent before a check is issued. These new procedures have been reviewed at Director's meetings on several occasions to insure that all staff are aware and familiar with the new procedures.

- 3. Explore options to obtain reimbursement of funds and only compensate employees for services performed for the ROE or for earned and available vacation or sick time.**

**Findings:** Lack of internal controls over payroll.

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The former Regional Superintendent's wife, a former ROE employee, received compensation for 124 days in which she was absent from work and there was no documentation that services were performed. Additionally, the employee had no vacation or sick time earned or accumulated. Regional Office officials indicated that the Superintendent's wife was not on any authorized paid leave. The total amount paid to the employee during this period was \$25,411.

**Response:** Accepted. Under the new administration, this employee no longer works for the ROE. Under new policies and procedures which have now been established and with new administration, this situation cannot occur in the future.

This recommendation has been forwarded to the Attorney General's Office and the States Attorney's Office for consideration of recovery of these funds.

- 4. Establish and follow a policy that prohibits personal expenditures from being paid with ROE funds. Internal controls should be established to ensure that personal expenses are not paid by the Regional Office. The former Regional Superintendent should reimburse the ROE for all personal expenses paid by the Regional Office for personal cell phone use. (Repeated-2004)**

**Findings:** Unallowable cell phone charges.

The former Regional Superintendent submitted monthly cell phone bills which included a number of questionable expenditures. These questionable expenditures included service fees for phone lines not used by ROE employees for 2 1/2 months, ring-tone download charges (4 instances), multimedia packages (24 instances), and late fees (4 instances). The questionable cell phone expenditures during FY06 totaled \$383.12.

**Response:** Accepted. Policies and procedures have now been implemented which prevent this situation from occurring in the future. Cell phones which were being used for questionable purposes were taken out of service immediately by the new administration.

This recommendation has been forwarded to the Attorney General's Office and the States Attorney's Office for consideration of recovery of these funds.

- 5. Develop a cost allocation plan or establish an approved indirect cost rate in accordance with OMB Circular A-87 which addresses allowable costs to all applicable programs. (Repeated-2000)**

**Findings:** Grants, cost reimbursement contracts, and other agreements with the Federal Government (collectively known as Federal Awards) should bear their fair share of costs recognized under principles established by the Office of Management and Budget (OMB).

**Accepted – continued**

The ROE has not implemented a cost allocation plan or an approved indirect cost rate to allocate indirect costs in accordance with OMB Circular A-87. The ROE invoices the various grants and programs it administers for central service activities, including support salaries and related benefits, accounting and secretarial services, and space rent based on the grants' budgeted costs (rather than as part of a Cost Allocation Plan). Such salaries and benefits are allowable expenditures under OMB Circular A-87. However, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages is required to be documented in accordance with the provisions of OMB Circular A-87 or be included in the ROE's cost allocation plan. Rent costs are also an allowable expenditure, subject to limitations included in OMB Circular A-87.

**Response:** Accepted. The Regional Office of Education now has a cost allocation plan which will enable the proper allocation of costs to grant funding sources. This cost allocation plan outlines the methods to be used to allocate both direct and indirect costs to grants. This cost allocation plan will be applied to federal and state grants, as well as, any other grants for which costs must be allocated. Employees whose salaries are paid from multiple funding sources are required to complete time sheets. Costs are determined and allocated based on formulas which ensure that only the actual cost of grant operation is charged to the grant. The condition of grants being excessively charged has stopped.

The ROE has also received an approved indirect cost rate from the Illinois State Board of Education.

- 6. Comply with the requirements of the statutes and ensure that the website listing of open teaching positions is maintained and updated. The Regional Superintendent should attend the county board meeting in September and quarterly thereafter and present a report of all the Regional Superintendent's acts, including a list of all the schools visited and dates of visitation, as required by State law. The Regional Superintendent should visit each public school annually to review all items noted in the statute. The Office of Education No. 21 should maintain a log evidencing the receipt of the audits from the school districts and should implement a system for monitoring whether or not copies of audits are on hand as required by law.**

**Further as required by law, the Regional Office of Education No. 21 should provide ISBE with an annual Regional Plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region.**

**Finally, the Regional Office of Education should submit the information required by law to notify the required individuals of the amounts distributed to the school treasurer on or before September 30. If the Regional Office believes that any of**

**these statutory mandates are obsolete or otherwise unnecessary, then it should seek legislative action to revise the statutes accordingly. (Repeated-2005)**

**Findings:** A. The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in the educational service region, and if any irregularities are found in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands. (This mandate has existed in its current form since at least 1953).

B. The Illinois School Code 105 ILCS 5/3-14.25 requires the Regional Office of Education to maintain, and make available to the public during regular business hours, a list of unfilled teaching positions within the region. The most current version of the list must be posted on or linked to the Regional Office of Education's Internet web site. If the Regional Office of Education does not have an Internet web site, the Regional Superintendent of Schools must make the list available to the State Board of Education and the State Board of Education must post the list on the State Board of Education's Internet web site.

C. The Illinois School Code 105 ILCS 5/3-5 states that the county superintendent shall present under oath or affirmation to the county board at its meeting in September and as nearly quarterly thereafter as it may have regular or special meetings, a report of all acts as county superintendent, including a list of all the schools visited with the dates of visitation. (This mandate has existed in its current form since at least 1953).

D. The Illinois School Code 105 ILCS 5/3-14.5 requires the Regional Superintendent to visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the schools. (This mandate has existed in its current form since at least 1953).

E. The Illinois School Code 105 ILCS 5/3-7 states that each school district shall, as of June 30 each year, cause an audit to be made of its accounts. Each school district shall on or before October 15 of each year, submit an original and one copy of such audit to the Regional Superintendent of Schools. If any school district fails to supply the Regional Superintendent of Schools with a copy of such audit report on or before October 15, or within such time extended by the Regional Superintendent of Schools from that date, not to exceed 60 days, then it shall be the responsibility of the Regional Superintendent of Schools to cause such audit to be made.

F. The Illinois School Code 105 ILCS 5/13B-25.35 states that based on district plans to provide alternative learning opportunities, the Regional Office of Education must submit an annual plan summarizing the number, needs, and demographics of students at risk of



**Accepted – continued**

academic failure expected to be served in its region. This plan must be updated annually and submitted to the State Board.

G. The Illinois School Code 105 ILCS 5/3-14.17 requires the Regional Superintendent to notify the board of trustees and the clerks and secretaries of school districts, on or before September 30, annually, of the amount of money distributed to the school treasurer, with the date of distribution.

A. The Regional Office of Education No. 21 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent reviews and signs off on the Annual Financial Reports from the school districts in the region.

B. The Regional Office of Education No. 21 did not maintain, and make available to the public during regular business hours, a list of unfilled teaching positions within the region. In addition, the Regional Office of Education No. 21 did not provide a listing on its website of all such unfilled teaching positions. The Office was unaware of this requirement.

C. The Regional Office of Education No. 21 did not present at the September county board meeting and as nearly quarterly thereafter, a report of all its acts including a list of all the schools visited and dates of visitation. The Office was unaware of this requirement.

D. The Regional Office of Education No. 21 performs compliance inspections for each public school in the region on a rotational basis every 3 years instead of annually. While the Illinois Public School Accreditation Process Compliance Component document completed at these inspections includes many of the items delineated in 105 ILCS 5/3-14.5, it does not include a review of the methods of instruction and the textbooks used in the district. ROE officials believed that periodic compliance visits satisfied the statutory requirements.

E. The Regional Office of Education No. 21 was unable to supply evidence that two of the 16 school district financial statement audit reports were submitted to the Regional Office of Education by October 15, 2005 or by the extension date. One school district's financial statement audit report was submitted to the Regional Office of Education, but it was submitted 71 days after the allowable extension date granted of November 30, 2005. The remaining school district financial statement audit report had not been submitted as of October 13, 2006.

F. The Regional Office of Education No. 21 did not provide the Illinois State Board of Education with an annual Regional Plan summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region, even though school districts within the Regional Office's region participated in an

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Alternative Learning Opportunities Program (ALOP). The Office was unaware of this requirement.

G. The Regional Superintendent did not notify the board of trustees and the clerks and secretaries of school districts, on or before September 30, annually, of the amounts of money distributed to the school treasurer, with the date of distribution. ROE officials indicated the failure to notify the board was an oversight.

**Response:** A. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 5/3-7 of the Illinois School Code is a more current, thorough, and comprehensive requirement concerning a public school district's financial transactions. As a result, the two parties working together will seek legislation to repeal section 5/3-14.11 of the Illinois School Code, which mandates annual examination of all books, accounts and vouchers of every school treasurer by the Regional Superintendent.

B. The prior superintendent, Barry Kohl, did not maintain a link on the Regional Office of Education web site that provided a list of unfilled teaching positions during FY06. The current superintendent has corrected this oversight. There is a link on the ROE website that lists any unfilled teaching positions.

C. We agree that during FY06 the previous superintendent failed to present at the September county board meeting and quarterly thereafter, a report of all its acts including a list of all the schools visited and dates of visitation. There is an ongoing effort to repair and improve the relationship between the Regional Office of Education No. 21 and both the Franklin County and the Williamson County boards. This effort includes attending meetings more frequently and providing reports to the members of each board.

D. The Illinois Association of Regional Superintendents of Schools and the Illinois State Board of Education have agreed to seek legislation to remove duplicative and/or obsolete sections of the Illinois School Code. Both parties agree that section 1.20 of the 23<sup>rd</sup> Illinois Administrative Code is a more current, thorough, and comprehensive requirement concerning visitation of public schools by the Regional Superintendent. As a result, the two parties working together will seek legislation to repeal section 5/3-14.5 of the Illinois School Code, which mandates annual inspection visits to each public school by the Regional Superintendent.

E. We agree with this finding in that ROE No. 21 did not receive two audit reports (Franklin County Regional Vocational System and Franklin-Jefferson Special Education Cooperative) during the FY06 time period and that one district (Frankfort Community Unit District #168) did not submit an audit until February 9, 2007, which exceeded the 60-day extension allowance. Monitoring for FY07 has included maintaining a log evidencing the receipt of the financial statements from the school districts and communication with districts not in compliance.

**Accepted – continued**

F. The prior superintendent in fact did not submit a plan in FY06 to ISBE summarizing the number, needs, and demographics of students at risk of academic failure expected to be served in its region. The current superintendent plans to develop and submit a plan to provide alternative learning opportunities for students at risk of academic failure in the school year 06-07.

G. We agree that the former regional superintendent did not notify the board of trustees and the clerks and secretaries of school districts on or before September 30, 2005 of the amounts of money distributed to the school treasurer, with the date of distribution. This requirement was fulfilled for September 2006.

**7. Thoroughly review all claims for reimbursement before being approved for payment. Seek to recover improper reimbursements made to employees. Further, clarify and/or document policies regarding reimbursement of meals during travel.**

**Findings:** The ROE should adequately review employee claims for reimbursement and reimburse employees only for expenses that are supported by a legitimate business purpose and/or proper documentation in accordance with ROE's Policies and Procedures Manual.

The ROE made the following questionable employee reimbursements during FY06:

- The former Regional Superintendent received a \$30 refund for a hotel stay that was paid for by the ROE and never remitted the refund to the ROE.
- Two separate employees were reimbursed for mileage when an "Authorization for Payment" form was not attached or signed by the former Regional Superintendent. The total dollar amount of these reimbursements was \$263.20.
- The former Regional Superintendent was reimbursed \$146.25 for mileage to and from Springfield, IL to renew the Driver's Education car's license sticker at a Secretary of State facility. The former Regional Superintendent did not submit any additional documentation to indicate that he was traveling to Springfield, IL for any other reason during this time period. This type of service is provided at other locations near the ROE.
- An employee was reimbursed for the same meals twice. In two instances, the employee submitted reimbursement for a meal that was also charged to the employee's hotel room which also was subsequently reimbursed by the ROE. The total dollar amount of these over-reimbursements was \$64.98.
- An employee was reimbursed for the same hotel stay twice. The total dollar amount of the over-reimbursement was \$154.

**Response:** Accepted. Internal controls have been strengthened to prevent inadvertent errors in payment. Policies and procedures now require proper authorization for payment be adequately prepared and presented before payment is made. The policy handbook is

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being amended to include a section specific to reimbursement of meal expense. Current employees who were over reimbursed as a result of inadvertent errors on travel vouchers will be asked to reimburse the ROE in the amount of the overpayment.

### **8. Develop a plan to allocate interest earned on commingled funds to each source of funds (SOF) and follow the appropriate State and federal statutes and regulations. (Repeated-2005)**

**Finding:** The Regional Office of Education (ROE) *Accounting Manual* states that if dollars from two or more sources of funds (SOF) are combined in one bank account and/or fund, the ROE must allocate, on a reasonable basis, a portion of the interest earned on that bank account or fund to each of those SOF. The allocation should be done no less than monthly when bank statements are received. Once the interest is allocated to the appropriate SOF, certain rules apply to the expenditure of that interest. The *ROE Accounting Manual* states that the rules for allocating and expending interest vary depending on the SOF that generated the interest.

Interest earned on SOF that are not grants but are set up by statute such as Institute, GED, Bus Driver, and Tech Hub, must be allocated to the SOF and expended for the same purpose. However, unlike grants, this interest does not have to be expended within any given period of time unless statute, regulations, or contract state otherwise. The same laws that apply to the expenditure of the original SOF also apply to any expenditures of interest earned on that SOF.

**Response:** Accepted. An Interest Allocation Plan has been developed which ensures that interest earned from grant funds will be allocated back to the grant source and used as part of the program as approved in the original grant agreement. This allocation will be made monthly with a report going to the Superintendent and Program Director which will help ensure proper utilization.

### **9. Implement procedures to ensure compliance with existing policies related to conflicting employment.**

**Finding:** ROE employee received outside compensation. According to the ROE Policies and Procedures Manual, employees of the ROE are prohibited from having conflicting employment while employed in a full-time ROE position. In addition, if a full-time employee performs outside services or employment, such services or employment must be reported to the Program Director and/or Superintendent.

A full-time ROE employee received two payments totaling \$450 from a school district within the counties served by the ROE. The payments were for training sessions normally performed within the employee's scope of employment with the ROE. There was no documentation showing that the services performed were approved by the Regional Superintendent.

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**Accepted – concluded**

**Response:** ROE policies have been extensively revised. A new Policy Handbook has been distributed to all employees. All employees have verified receipt of the Policy Handbook. A general staff meeting was held to give employees an opportunity to have any policy clarified. The Policy Handbook has been discussed at several ROE Director's meetings where additional clarification has been given. All employees have now been informed of this policy. Future violation should not occur.

School district superintendents and bookkeepers within Franklin and Williamson County will be notified that no payment should be made to ROE employees.